

CITY OF ABILENE
FRAUD, WASTE, AND ABUSE POLICY

Statement from Internal Auditor

The City of Abilene (City) Director of Finance and Internal Auditor have zero tolerance for the commission or concealment of acts of fraud, waste, or abuse. Allegations of such acts will be investigated. Punishment for such acts of fraud, waste, and abuse could range from a written warning, suspension, to termination of employment. The City may also press charges if the offense is significant. If an employee is found to have known about the fraud, waste, and abuse, punishment could be a written warning, suspension, or termination of employment. All employees are responsible for reporting suspected instances of fraud, waste, and abuse in accordance with this Policy.

The City Administration is responsible for the effectiveness and efficiency of the City's operations, including the protection of City assets from fraud, waste, and abuse. The Administration has the primary responsibility for the implementation of internal controls to deter and detect fraud.

The Internal Auditor's office is responsible for assisting in deterrence and detection of fraud, waste, and abuse in the City by examining and evaluating the adequacy and the effectiveness of the City's systems of internal control, commensurate with the extent of the potential risk in the various segments of the City's organization. The Internal Auditor's office has primary responsibility for the investigation of fraudulent acts committed by or against the City.

The Internal Auditor's office can be called to report suspected fraud, waste, and abuse in the City.

See below the definitions of "fraud", "waste", and "abuse." Waste and abuse are not necessarily fraudulent acts but, depending upon the circumstances, they could be.

Scope

This Policy applies to all City employees. The provisions of this Policy apply to any instance of fraud, waste, or abuse involving not only employees, but also external organizations doing business with the City and volunteers at City sponsored events. The Program Manager of the Department that is supervising a City sponsored event is responsible for the volunteers.

Commitment to Confidentiality and Anonymity

When reporting fraud, waste, and abuse, please remember the following concerning confidentiality and anonymity:

- Even if you report anonymously, once the report has been filed and the investigation begins, your co-workers or others who are familiar with the situation that is being reported may still be able to guess your identity.
- Whether you report anonymously or not, the Internal Auditor's office will treat your report confidentially.

- It is not possible to guarantee absolute confidentiality in all circumstances. Disclosure to others inside or outside the City may be required by law in certain cases.

Please do not let these possibilities discourage you from reporting an incident.

Whistleblower Protection

Retaliation against an employee who in good faith filed a report of alleged fraud, waste, or abuse, or who participated in an investigation, is in violation of the Policy. Such “whistleblower protection” is granted under Title 5, Subtitle A, Chapter 554, of the Texas Government Code.

Definitions of Fraud, Waste, and Abuse

Fraud – The American Institute of Certified Public Accountants (AICPA) defines two basic categories of “fraud”: intentional misstatement of financial information and misappropriation of assets (or theft).

Other audit-related organizations provide additional insight into the definition of fraud that can be summarized as follows: Fraud consists of an illegal act (the intentional wrongdoing), the concealment of this act, and the deriving of a benefit (converting the gains to cash or other valuable commodity).

Legally, fraud can lead to a variety of criminal charges including theft, embezzlement, and larceny – each with its own specific legal definition and required criteria – each of which can result in severe penalties and a criminal record.

Waste – “Waste” means the thoughtless or careless expenditure, consumption, mismanagement, use, or squandering of resources owned or operated by the City to the detriment or potential detriment of the City. Waste also includes incurring unnecessary costs because of inefficient or ineffective practices, systems, or controls. Waste does not normally lead to an allegation of “fraud”, but it could.

Abuse – “Abuse” means the excessive, or improper use of something, or the use of something in a manner contrary to the natural or legal rules for its use; the intentional destruction, diversion, manipulation, misapplication, maltreatment, or misuse of resources owned or operated by the City or extravagant or excessive use so as to abuse one’s position or authority. “Abuse” does not necessarily lead to an allegation of “fraud”, but it could.

Examples of fraud, waste, and abuse activities include, but are not limited to:

- Forgery or alteration of documents (checks, contracts, purchase orders, invoices, time sheets, leave records, etc.).
- Misrepresentation of information on documents (employment history, time sheets, leave records, travel reimbursement requests, financial records, etc.).
- Theft, unauthorized removal, or willful destruction of City records, City property, or the property of other persons (to include the property of employees, customers, citizens, or visitors).

- Misappropriation of funds, equipment, supplies, or any other asset.
- Improprieties in the handling and reporting of financial transactions.
- Serious abuse of City time such as unauthorized time away from work, falsification of work hours reported, or excessive use of City time for personal business.
- Authorizing or receiving payments for goods not received or services not performed.
- Vendor kickbacks.
- Authorizing or receiving payment for hours not worked.
- Misuse of authority for personal gain.
- Any computer-related activity involving the alteration, destruction, forgery, or manipulation of data for fraudulent purposes.
- Inappropriate use of City provided electronic devices such as computers, PDAs, cell phones, pagers, or email.

Responsibilities

Employees—Any City employee who has knowledge of fraud, waste, or abuse, or who has good reason to suspect that such conduct has occurred, shall adhere to the procedures in this Policy.

When suspected fraudulent activity, waste, or abuse is observed by, or made known to an employee, the employee shall immediately report the activity to his/her direct supervisor. If the employee believes that the supervisor is involved with the activity, he/she shall immediately report the activity to the supervisor's manager as well as the Program Manager of the Department. If the employee believes that the supervisor's manager and/or the Program Manager may be involved with the activity, the employee shall either contact the Internal Auditor directly or the Director of Finance.

The employee shall not make any attempt to investigate the suspected activity prior to it being reported. The Internal Auditor's office shall coordinate investigations of fraud, waste, or abuse.

An employee shall not destroy, or allow to be destroyed, any document or record of any kind that the employee knows may be relevant to a past, present, or future investigation of fraud, waste, or abuse.

Citizens and Customers—The Internal Auditor's office cannot compel citizens and customers (non-employees) to report suspected instances of fraud, waste, or abuse. However, the Internal Auditor's office strongly encourages them to do so.

Management's Responsibilities—Once management has been informed of suspected fraud, waste, or abuse (or if management itself suspects fraud, waste, or abuse), management shall either contact the Internal Auditor directly or the Director of Finance.

Internal Auditor's Office Responsibilities—The Internal Auditor will receive all reports and initiate and coordinate all investigations. When the Internal Auditor's office receives a report, the Internal Auditor will review the report and determine if it has any follow-up questions for the person who filed the report. If so, the Internal Auditor's office will contact the person within five (5) business days of the receipt of the report. The person filing the report may follow-up on the status of the report by phone or e-mail. If the person filing the report chooses to remain anonymous, no follow-up will be performed. The investigation will proceed with the information filed in the report.

To the extent allowed by law, the Internal Auditor (and any assistants working for him/her, if applicable) will review relevant information in a confidential and professional manner, and will conduct a prompt preliminary investigation of the alleged activity. The preliminary investigation may include employee interviews and analyses of available records. A full investigation will follow, if evidence indicated possible fraud, waste, and/or abuse.

The Internal Auditor's office shall be given unlimited and unrestricted access to all books, records, property (including desks and computers), and personnel during such investigations. Once an investigation is undertaken, the Internal Auditor's office will take immediate action to prevent the theft, alteration, or destruction of relevant records. Such actions may include, but are not limited to, limiting access to the location where the records currently exist, preventing the individual(s) who is the subject of the investigation from having access to the records, and/or taking actual possession of such records.

Once the Internal Auditor's office has sufficient, competent evidence that there is indeed an unauthorized, illegal, irregular, or unsound practice that could (or already has) affect the City, the Internal Auditor is required to report the matter to the City Manager and the Director of Finance. If the City Manager or Director of Finance is believed to be a party to the matter, the Internal Auditor will report the matter directly to the City Council. If it appears the matter is criminal in nature, the Internal Auditor will immediately report it to the City Attorney in addition to those previously cited. The Internal Auditor and City Attorney will then advise other departments/agencies as necessary (e.g., Police Department, State Attorney General's Office, and Human Resources).

Filing a Report

Please keep the following in mind when reporting suspected fraud, waste, or abuse:

- If possible, report the issue to your supervisor or manager first.
- You must be able to provide adequate information to support an investigation. Mere speculation does not suffice.
- Your report must be made in good faith. An employee who knowingly makes a false or bad faith complaint will be subject to disciplinary and/or legal action.

How to File a Report

Please complete the "Report Form for Fraud, Waste, and Abuse" (Attachment A) and send to the Internal Auditor's office. If unable to complete the form, call the Internal Auditor's office at (325) 676-6495 or the Director of Finance at (325) 676-6326.



Mindy Patterson
Director of Finance



Ronnie Kidd
Managing Director for Administration

Attachment A

**City of Abilene
Report Form for Fraud, Waste, and Abuse**

1. What fraud, waste, and/or abuse is being reported?

- ☐ Accounting, Auditing, and/or Internal Controls
- ☐ Embezzlement
- ☐ Falsification of Contracts, Reports, or Records
- ☐ Improper Supplier or Contractor Activity
- ☐ Theft
- ☐ Violation of Policy
- ☐ Unauthorized, Fraudulent Use of the City's Facilities/Equipment

2. Identify the location to which your report relates (physical address):

3. Name all persons engaged in the event, including titles:

4. Please provide all details regarding the alleged violation, including the locations of witnesses and any other information that could be valuable in the evaluation and ultimate resolution of the situation:

5. Describe the time and duration of the event:

6. What do you estimate the monetary value to be?

7. This event/situation has been going on for how long?

8. How did you become aware of this event/situation?

9. Do you have any documentation? If so, please attach.

10. Are there any additional comments you would like to add?

11. Do you wish to remain anonymous for this report? (Please note that investigating your claim will be easier, and the Internal Auditor may be able to perform a more comprehensive investigation, if you provide your identify and how you may be contacted.)

_____ Yes

_____ No

Name: _____ Phone Number: _____

Email Address: _____

Best time and way to contact you: _____

Comments: